

FORM MO-1120S S CORPORATION INCOME TAX RETURN

This information is for guidance only and does not state the complete law.

WHO MUST FILE FORM MO-1120S

CORPORATION FRANCHISE TAX:

Every S corporation must determine if its assets or apportioned assets are greater than \$1,000,000. If its assets (in or apportioned to Missouri) are over \$1,000,000, the S corporation must complete and file Schedule MO-FT and Form MO-1120S, Lines 12 through 27. Attach a copy of the balance sheet and any supporting schedules. If their assets (in or apportioned to Missouri) are equal to or less than \$1,000,000, the S corporation must check Box A on Form MO-1120S and sign the return.

S CORPORATION INCOME TAX:

Every S corporation must file Form MO-1120S if they file Federal Form 1120S and the S corporation has: 1) a shareholder that is a Missouri resident; or 2) any income derived from Missouri sources (Section 143.471, RSMo). Attach a copy of Federal Form 1120S and all Schedule K-1(s). **Qualified subchapter S subsidiaries (QSSS) must file a separate Form MO-1120S and attach their separate balance sheet.** The QSSS must also check Box A on the Form MO-1120S.

MISSOURI REGISTRATION

Every S corporation must register with the Department of Revenue to receive a Missouri Tax Identification Number. To register, contact: **Missouri Department of Revenue, Division of Taxation and Collection, P.O. Box 3300, Jefferson City, MO 65105-3300, visit our web site at www.dor.state.mo.us/tax, or call (573) 751-5860.**

TIME AND PLACE OF FILING AND PAYMENT

CORPORATION FRANCHISE TAX:

Corporation franchise tax is due on or before the 15th day of the fourth month following the **beginning** of the tax year. Example: Taxable period of January 1, 2003, to December 31, 2003; due April 15, 2003.

DELINQUENT PAYMENTS

Interest:

Simple interest is charged on all delinquent taxes from the due date of the return until the payment is received. The simple interest rate, effective January 1, 2003, is 5 percent per annum (Section 32.065, RSMo).

Penalty / Failure to File — Corporate Franchise Tax

Enter the amount of penalty computed. If the return is not filed by the due date, including extensions of time to file, a penalty of 5 percent per month (not to exceed 25 percent in the aggregate) is charged during the period of such failure.

Penalty / Failure to Pay — Corporate Franchise Tax

Franchise taxes not paid on or before the due date are subject to a penalty of 5 percent per month or fractional part thereof until paid, not exceeding 25 percent. Penalty will not be assessed if at least 90 percent of the tax is paid on or before the original due date.

S CORPORATION INCOME TAX:

S corporation return is due on or before the 15th day of the fourth month following the **end** of the tax year. Example: Taxable period of June 1, 2002, to December 31, 2002; due April 15, 2003.

Note: When the due date falls on a Saturday, Sunday, or legal holiday, the return will be considered timely filed on the next business day.

If you have a balance due, mail your return and payment to:

**Missouri Department of Revenue, P.O. Box 3365,
Jefferson City, MO 65105-3365.**

Note: Include the Missouri Tax Identification Number on the check or money order.

If you are due a refund or have no amount due, mail your return to:

**Missouri Department of Revenue, P.O. Box 700,
Jefferson City, MO 65105-0700.**

PERIOD COVERED BY THE RETURN

Form MO-1120S must cover the same period as the corresponding Federal Form 1120S. Indicate the period covered on the front of the return. If filing a calendar year Form MO-1120S, enter dates of January 1, 2002, to December 31, 2002. If filing Schedule MO-FT for a calendar year, enter dates January 1, 2003 to December 31, 2003. **These returns must be filed together on the same forms.**

ROUNDING ON MISSOURI RETURNS

You must round all cents to the nearest whole dollar on your return. For cents .01 through .49, round down to the previous whole dollar amount (round \$32.49 down to \$32.00) on the return. For cents .50 through .99, round up to the next whole dollar amount (round \$32.50 up to \$33.00) on the return. For your convenience, the zeros have already been placed in the cent columns on the returns.

EXTENSION OF TIME TO FILE

If an S corporation has been granted an extension of time to file its federal income tax return, the time for filing the Missouri income/franchise tax return is automatically extended for a similar period of time. A copy of the Federal Extension Form 7004 must be attached to the Form MO-1120S when filed. **Form MO-60 is only required if a franchise tax liability exists.**

If Form MO-60 is used to extend the time to file a Missouri composite return, the Form MO-60 must be marked as an individual (Form MO-1040) and not as an S corporation.

NONRESIDENT SHAREHOLDERS

Every S corporation must file Form MO-1NR, Income Tax Withheld for Nonresident Individual Partners or S Corporation Shareholders and send in copies of Form MO-2NR, Statement of Income Tax Payments for Nonresident Individual Partners or S Corporation Shareholders if they have nonresident individual shareholders who do not meet one of the following exceptions:

- the nonresident shareholder, not otherwise required to file a return, elects to have the Missouri income tax due paid as part of the S corporation's composite return;
- the nonresident shareholder, not otherwise required to file a return, had Missouri assignable federal adjusted gross income from the S corporation of less than \$1,200 dollars;
- the S corporation is liquidated or terminated, income was generated by a transaction related to termination or liquidation, and no cash or property was distributed in the current or prior taxable year.

Pursuant to Section 143.411, RSMo, a nonresident shareholder can request the S corporation be exempt from withholding by filing a completed Form MO-3NR, Partnership/S Corporation Withholding Exemption/Revocation Agreement.

Form MO-1NR must be filed by the due date or extended due date for filing the S corporation income tax return. Form MO-3NR must be filed by the due date for filing the S corporation income tax return without regard to an extension of time to file.

Forms may be obtained by writing the Missouri Department of Revenue, Division of Taxation and Collection, P.O. Box 3022, Jefferson City, MO 65105-3022, calling (800) 877-6881 (TDD (800) 735-2966), visiting our web site at www.dor.state.mo.us/tax, or using the Department of Revenue's Forms-by-Fax at (573) 751-4800.

If you have technical questions concerning the filing of Form MO-1NR and Form MO-3NR you may contact the Division of Taxation and Collection at (573) 751-1467. **If you are filing a composite return and you have questions or you need to request permission to file a composite return, contact the Division of Taxation and Collection at (573) 751-1467.**

S CORPORATION ADJUSTMENTS

Each S corporation, having modifications, must complete the Form MO-1120S, Page 1, Lines 1–13 and Page 2, the Allocation of Missouri S Corporation Adjustment to Shareholders, and notify each shareholder of the adjustments to which he/she is entitled. Missouri income tax law provides adjustments to a shareholder's share of the S corporation income included in his/her individual federal income tax return in order to properly determine his/her individual Missouri adjusted gross income. Each shareholder should add the explanation: "S Corporation Adjustments-S Corporation Name" to the Form MO-1040. A copy of the Form MO-1120S must be provided to each shareholder.

ADDITIONS

LINE 1 — MISSOURI CORPORATION INCOME TAX & CORPORATION INCOME TAX OF OTHER STATES DEDUCTED IN DETERMINING FEDERAL TAXABLE INCOME

Enter the amount of Missouri corporation income tax deducted on Federal Form 1120S (Section 143.141(1), RSMo), and the amount of corporation income taxes from other states, their subdivisions and the District of Columbia deducted on federal Form 1120S (12 CSR 10-2.160 and Section 143.141(2), RSMo).

LINE 2 — STATE AND LOCAL BOND INTEREST (EXCEPT MISSOURI)

Enter on Line 2a all interest from state and local bonds, excluding Missouri (Section 143.121.2(b), RSMo).

Enter on Line 2b the amount of expenses associated with the state and local bond interest. The expenses must exceed \$500. Refer to Section 143.121.2(b), RSMo, for further explanation.

LINE 3 — FIDUCIARY AND PARTNERSHIP ADJUSTMENT (FROM FORM MO-1041 AND FORM MO-1065)

Enter the share of fiduciary and partnership adjustment as shown on Form MO-1041, Page 2, Part 1, Line 17, and Form MO-1065, Line 17 (Section 143.121.4 and 5, RSMo). A copy of Forms MO-1041 and MO-1065, must be attached.

LINE 4 — MISSOURI DEPRECIATION BASIS ADJUSTMENT

Enter on Line 4 the difference between the Federal and Missouri depreciation calculated on assets purchased between July 1, 2002 and June 30, 2003. See Section 143.121.2(c), RSMo for more information. For more information and examples, access our web site at www.dor.state.mo.us/tax.

LINE 5 — TOTAL

Add Lines 1 through 4. Enter the amount on Line 5.

SUBTRACTIONS

LINE 6 — INTEREST AND DIVIDENDS FROM EXEMPT FEDERAL OBLIGATIONS (MUST ATTACH SCHEDULE)

Enter on Line 6a the amount of interest and dividends from federal obligations to the extent they are exempt from Missouri income tax, but subject to federal tax (12 CSR 10-2.150 and Section 143.121.3(a), RSMo). A detailed list showing the amount of monies received or the percentage of funds received from **direct** U.S. Government obligations must be attached to Form MO-1120S.

Enter on Line 6b the amount of interest on indebtedness and expenses associated with the production of interest and dividend income on federal obligations shown on Line 6a. The expenses must exceed \$500. Refer to Section 143.121.3(a), RSMo, for further explanation.

In arriving at the amount of related expenses, the taxpayer may use actual expenses or a reasonable estimate. In general, the taxpayer should use the same or similar method to that used to compute related expenses for federal income tax purposes, provided that the method reasonably reflects related expenses for Missouri exempt income.

If a taxpayer fails to compute reasonable related expenses, the Director of Revenue will make adjustments based on the best information made available. If sufficient information is not made available or if the taxpayer's records do not provide sufficient information, the Director of Revenue will use the following formula to compute related expenses:

$$\frac{\text{Exempt income}}{\text{Total income}} \times \text{Expense items} = \text{Reduction to exempt income}$$

The principal expense item in this formula is interest expense; however, the Director of Revenue may include other expense items because of their direct relationship to the production of exempt income. The taxpayer may propose an alternative method provided that it properly reflects the amount of related expenses.

Enter on Line 6 the net amount of Line 6a less Line 6b.

LINE 7 — AMOUNT OF ANY STATE INCOME TAX REFUND INCLUDED IN FEDERAL TAXABLE INCOME

Enter the amount of any state income tax refund for a prior year that was included in the federal taxable income for the current year (Section 143.121.3(e), RSMo).

LINE 8 — FEDERALLY TAXABLE — MISSOURI EXEMPT OBLIGATION

The amount of any bond issued by the Missouri Higher Education Loan Authority (MOHELA) including interest or proceeds resulting from the sale of the bond is exempt from Missouri tax. If the amount is included in federal taxable income, the amount can be subtracted from federal taxable income for Missouri tax purposes pursuant to Section 173.440, RSMo. Enter the exempt amount on Line 8 and provide documentation with the return.

LINE 9 — FIDUCIARY AND PARTNERSHIP ADJUSTMENT (FROM FORM MO-1041 AND FORM MO-1065)

Enter the share of fiduciary and partnership adjustment as shown on Form MO-1041, Page 2, Part 1, Line 15 and Form MO-1065, Line 15 (Section 143.121.4 and 5, RSMo). A copy of Forms MO-1041 and MO-1065 must be attached.

LINE 10 — MISSOURI DEPRECIATION BASIS ADJUSTMENT

Enter on Line 10 the difference between the Federal and Missouri depreciation calculated on assets purchased between July 1, 2002 and June 30, 2003. See Section 143.121.2(c), RSMo for more information.

LINE 11 — TOTAL

Add Lines 6 through 10. Enter the amount on Line 11.

LINE 12 — MISSOURI S CORPORATION ADJUSTMENT — NET ADDITION

Enter the excess of Line 5 over Line 11.

LINE 13 — MISSOURI S CORPORATION ADJUSTMENT — NET SUBTRACTION

Enter the excess of Line 11 over Line 5.

LINE 14 — CORPORATION FRANCHISE TAX

If your corporation is required to pay corporation franchise tax, enter amount from Schedule MO-FT, Corporation Franchise Tax Schedule, Line 7C.

LINE 15 — TAX CREDITS

You may be eligible for certain tax credits. The total amount of tax credit is computed by completing Form MO-TC, Miscellaneous Income Tax Credits. Visit our web site at: www.dor.state.mo.us/tax to download Form MO-TC and review information about each available credit.

LINE 16 — APPROVED OVERPAYMENTS APPLIED FROM LAST FILING PERIOD

Enter any approved overpayments credited from 2002.

LINE 17 — PAYMENTS ON FORM MO-60

Enter the total payment(s) made with Form MO-60.

LINE 18 — AMENDED RETURN ONLY: TAX PAID WITH (OR AFTER) THE FILING OF THE ORIGINAL RETURN

Enter the amount of tax previously paid by check or money order on the original return and any previously filed amended return. Do not include any previous interest, additions to tax, or penalties.

LINE 19 — SUBTOTAL

Enter the total of Lines 15 through 18.

LINE 20 — AMENDED RETURN ONLY: OVERPAYMENT, IF ANY, AS SHOWN ON ORIGINAL RETURN OR AS LATER ADJUSTED

Enter the amount of overpayment received (or expected to be received) or the amount to be credited to estimated tax, as shown or adjusted on the original return. Any refund due on the original return will be refunded separately from any additional refund claimed on the amended return.

LINE 21 — TOTAL

Enter Line 19 less Line 20.

LINE 22 — OVERPAYMENT

Enter the overpayment if Line 21 is greater than Line 14.

LINE 23 — CREDIT TO NEXT FILING PERIOD

Enter the amount of overpayment to be applied to the next filing period.

LINE 24 — REFUND

Enter the total of Line 22 less Line 23. This is the amount to be refunded. No refund of less than \$1.00 will be made. If there is any other liability owed the state of Missouri, the income tax refund may be applied to that liability (Sections 143.781, 143.782, 143.783, and 143.784, RSMo). The corporation will be notified if any debts are offset with the refund.

LINE 25 — UNDERPAYMENT

Enter the underpayment if Line 14 is larger than Line 21.

LINE 26 — INTEREST, PENALTY, UNDERPAYMENT OF ESTIMATED TAX**Interest**

Enter the amount of interest computed. Simple interest is charged on all delinquent taxes from the due date of the return until the payment is received. The simple interest rate, effective January 1, 2003, is 5 percent per annum (Section 32.065, RSMo).

Penalty / Failure to File

Enter the amount of penalty computed. If the return is not filed by the due date, including extensions of time to file, a penalty of 5 percent per month (not to exceed 25 percent in the aggregate) is charged during the period of such failure.

Penalty / Failure to Pay — Franchise Tax

Franchise taxes not paid on or before the due date are subject to a penalty of 5 percent per month or fractional part thereof until paid, not exceeding 25 percent. Penalty will not be assessed if at least 90 percent of the tax is paid on or before the original due date.

LINE 27 — TOTAL DUE

Enter the total of Lines 25 and 26. Attach a check or money order for the amount due payable to the Missouri Director of Revenue. Include the corporation's Missouri Tax Identification Number on the check or money order (U.S. funds only).

AUTHORIZATION

Check the "yes" box for authorization of release of confidential information. This authorizes the Missouri Director of Revenue or delegate to discuss **this** return and attachments with the preparer whose signature appears on the Form MO-1120S or with any member of his/her firm or if internally prepared, any member of the internal staff. If the authorization box is checked "no," or if no box is checked, the Missouri Director of Revenue or delegate can only discuss this return with an officer of the corporation. Refer to Section 32.057, RSMo.

SIGNATURE

The Department of Revenue requires the return to be signed by an officer of the corporation. Enter the date signed, the title of the officer whose signature is affixed, and the corporation's telephone number. Lines are provided for the preparer's signature (other than taxpayer), Federal Employer Identification Number (FEIN), telephone number, and date. Failure to sign the return will cause a delay in the processing of the return.

ASSEMBLE YOUR RETURN

Assemble any forms and/or schedules behind Form MO-1120S in order of the "Attachment Sequence No." shown in the upper right corner of the form and/or schedule. Put forms without an attachment sequence number next. If you have supporting documentation, arrange them in the same order of forms and/or schedules they support and attach them last. Do not attach items unless required to do so.

INTERNET

Individuals can access the Department of Revenue's web site to obtain informational materials and Missouri tax forms at the following address: www.dor.state.mo.us/tax.

TAX FORMS AVAILABLE BY FAX

Blank Missouri tax forms are available by fax. To access the Forms-by-Fax system call (573) 751-4800 from your **fax machine handset**. The Forms-by-Fax system will take you through the steps required to receive a copy of the forms you need. If you are speech or hearing impaired, you may call TDD (800) 735-2966 or fax (573) 526-1881.

